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IN THE

# Supreme Court of the United States

OCTOBER TERM, A.D., 1958.

## No. 191

**CITY BONDED MESSENGER SERVICE, INC., by change of name from CITY BONDED MESSENGER AND TRUCKING SERVICE, INC., an Illinois corporation, and CITY BONDED TRUCKING COMPANY, INC., an Illinois corporation,**

Petitioners,

vs.

**CITY MESSENGER OF HOLLYWOOD, INC., a California corporation, doing business under the trade name of CITY MESSENGER AIR EXPRESS,**

Respondent.

**Petition For Writ Of Certiorari.**
**To The United States Court Of Appeals**
**For The Seventh Circuit.**

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**CITY MESSENGER OF HOLLYWOOD, INC., a California corporation, doing business under the trade name of CITY MESSENGER AIR EXPRESS,**

Respondent.

## Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit.

*The Honorable The Chief Justice and The Associate Justices of The Supreme Court of The United States:*

Your Petitioners, City Bonded Messenger Service, Inc., and City Bonded Trucking Company, Inc., pray that a Writ of Certiorari issue to review the judgment of The Court of Appeals for the Seventh Circuit entered in the

above entitled case on January 9, 1958, wherein the Petitioners were the Appellees. A petition for Re-Hearing of the Cause was denied by said Court in a split-decision opinion entered on May 22, 1958.

The judgment was entered upon appeal taken by Respondents from the judgment of the District Court of the United States for The Northern District of Illinois, Eastern Division. The action was originally brought by the respondent, City Messenger of Hollywood, Inc., charging unfair competition against the petitioners and The Illinois Bell Telephone Company and the Reuben H. Donnelley Corporation, as publishers of the telephone directories. The latter two defendants were joined since the questions of telephone listings and numbers were involved by the issues of unfair competition and service mark infringement. The petitioners, City Bonded Messenger Service, Inc., and City Bonded Trucking Company, Inc., counterclaimed for—I. Unfair Competition, II. Fraud and Deceit, III. Service Mark Infringement, and IV. Breach of Contract.

## OPINION BELOW.

The oral opinion of the District Court is appended hereto (Appendix, infra, p. 1a), and its Findings of Fact, Conclusions of Law and Judgment Order are likewise appended hereto (Appendix, infra, p. 4a). The opinion of the Court of Appeals is reported at 254 F. 2d 531 (Appendix, infra, p. 16a). The opinion of the Circuit Court on Petition for Re-Hearing is reported at 254 F. 2d 537 (Appendix, infra, p. 25a).

## JURISDICTION.

The Judgment of The Court of Appeals was entered January 9, 1958. The timely Petition for Re-Hearing was denied May 22, 1958. The Court of Appeals, on May 26, 1958 and June 20, 1958, entered orders staying the Mandate to permit Petitioners to apply to the Supreme Court for a Writ of Certiorari.

This Court's jurisdiction is invoked under Title 28 USC Section 1254(1) and Rule 19 (1b) of the Rules of the Supreme Court of the United States.

## QUESTIONS PRESENTED.

1. Under Section 44 of the Lanham Act (15 USC 1126), does Federal Law govern an action of unfair competition arising out of the infringement of a United States registered trade mark or service mark?

2. Did Section 43(a) of the Lanham Act (15 USC 1125(a)), create a Federal Law of unfair competition?

3. Can a Court of Appeals disregard Rule 52(a) of the Federal Rules of Civil Procedure and, without regard to the Trial Court's specific statement that the Findings of Fact were based upon the credibility of the 22 witnesses who testified during the eight-day trial, and without holding the Trial Court's Findings erroneous, reverse said Findings?

4. Can a Court of Appeals disregard Rule 15(b) of the Federal Rules of Civil Procedure and reverse a judgment on a Count which was added, without objection, to conform to the evidence?

5. Can a Court of Appeals, without restriction, decide issues which were never specifically appealed from?

## STATUTES AND RULES INVOLVED.

Sections 44(b), (h) and (i) of the Lanham Act, 15 U.S.C. 1126(b), (h) and (i), (Appendix, infra, p. 27a).

Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a), (Appendix, infra, p. 28a).

Rule 52(a) of the Federal Rules of Civil Procedure (Appendix, infra, p. 28a).

Rule 15(b) of the Federal Rules of Civil Procedure (Appendix, infra, p. 29a).

## STATEMENT OF THE CASE.

This case was filed by respondent in the District Court a few days after petitioners had filed an action in the Municipal Court of Chicago, Illinois, to recover for services rendered and monies advanced on behalf of Respondent. The instant action was one in equity for unfair competition which the Trial Court found was totally unfounded, was capricious and vexatious and brought merely for the purpose of harassing petitioners.

The petitioners, since 1942, have engaged in the messenger and trucking business in the Chicago area, including Interstate Commerce, under trade names dominated by the words "CITY", "MESSENGER", and "CITY BONDED MESSENGER". They have continuously, openly and notoriously, used the service mark shown in its U. S. Service Mark Reg. No. 609,732. (Pet. App. p. 156). In 1953, Ben Fullman, then president of respondent, and an old friend of Irving Mansfield, president of petitioners, approached Mansfield, and finally in 1954 induced him to join in a joint venture

with the respondent in an air freight forwarding business which they were just then entering. Prior to that, respondent was a strictly local messenger service in Los Angeles. Relying on Fullman's representation that Mansfield and his Company would be equal partners sharing equally in the profits of this new venture, and further relying on Fullman's statement that a new corporation called "City Messenger Air Express" would be formed which would apply for a Certificate of Authority from the Civil Aeronautics Board and would engage in this business, Petitioners proceeded to do all that was necessary as partners to insure the success of this new venture. Eventually, Ben Fullman and Irving Mansfield met and a contract was entered into wherein petitioners purchased a one-half interest in the new enterprise for Twelve Thousand Five Hundred Dollars ($12,500.00). Notwithstanding the same, respondent repudiated the contract, whereupon petitioners terminated the joint venture. Nevertheless, respondent not only continued to operate an air express business in the Chicago area under the substantially identical trade name and substantially identical service mark, but even went into direct competition with petitioners by engaging in a messenger service and deliberately, wilfully, and unlawfully appropriating messenger business from petitioners' own customers.

After a lengthy trial lasting some eight days in which some twenty-two witnesses testified, Chief Judge Barnes of the District Court denied all relief to respondent, holding that the equities favored petitioners; and clearly indicated in his oral opinion (Appendix, infra, p. 1a) that his decision was based on the credibility of petitioners' witnesses and lack of credibility of respondent's witnesses.

Judge Barnes specifically held that respondent did in fact unfairly compete with petitioners and infringe their

registered service mark. The Court issued an injunction restraining such further activity on the part of the respondent and entered an order in favor of petitioners for treble damages and attorneys fees on the Counts of Unfair Competition and Service Mark Infringement.

At the close of Petitioner's case in the Trial Court, it became evident that the evidence introduced, without objection, proved a breach of contract arising out of the same set of circumstances as Counts I, II and III. The Trial Judge thereupon, in open court, without objection by Respondent, gave leave to petitioners to amend their pleadings to include Count IV for Breach of Contract pursuant to Rule 15(b) of the Federal Rules of Civil Procedure. Respondent, at that time, made no objection to Petitioner's motion for leave to amend, made no request for leave to file an answer thereto, and made no request for a continuance. Despite this apparent consent and waiver, the Court of Appeals, disregarding Rule 15(b), reversed the Trial Court, stating that respondent was entitled to its day in Court.

The Court of Appeals, in reversing the decision in Count I for unfair competition held that the same was governed by Illinois Law which does not provide for treble damages or attorney's fees. As authority for this holding, the Court of Appeals cited a number of its own decisions. The Court then went on to state that the Lanham Act did not change this Rule and cited as authority for this proposition decisions of the Second and Fifth Circuits, and erroneously, one of the Third Circuit.

In so holding, the Court disregarded and failed to comment on the decisions and authorities cited by petitioners which hold that the Lanham Act did in fact create a new substantive Federal Law of unfair competition, and it

erroneously included the Third Circuit case of *L'Aiglon Apparel, Inc.*, v. *Lana Lobell, Inc.*, 214 F. 2d 649, 650, 651, (1954), which actually held that Section 43(a) of the Lanham Act did indeed create a Federal Law of Unfair Competition.(1) In conflict therewith the Court here ruled that the Lanham Act did not create an independent ground for Federal jurisdiction, nor for a claim for damages for unfair competition in the United States between American citizens.

(1) The recent decision of this same Third Circuit Court of Appeals; viz, *The Parkway Baking Company, Inc., et al* v. *Freihofer Baking Company, et al*, 117 USPQ 426, ..... F. 2d ....., decided May 21, 1958, confirms

## REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.

The reasons relied on for the issuance of the Writ prayed for are:

### I.

Only this Court can resolve the confusion and conflict between the several Circuits concerning the construction of the important Federal Statute 115 USC 1125 and 1126 (Lanham Act Sections 43a and 44). Realizing the salutary corrective effect which uniform control of unfair competition would have on the commercial lifestream of our nation, Congress, in order to avoid the present necessity for resorting to state by state piecemeal litigation, has injected into the Lanham Act a Federal Law of Unfair Competition. The misinterpretation of this Act by some Circuit Courts, including that of the Seventh Circuit, has compounded the uncertainty and confusion in the law which the Act was specifically designed to alleviate. This case presents this Court with an opportunity for resolving the matter.

a. The interpretation of the Federal Statute herein involved is a matter of vital public interest affecting a substantial segment of our population. Representative of many thoughts and comments on this point is the statement by Chief Judge Clark in his concurring opinion in the case of *Maternally Yours, Inc.* v. *Your Maternity Shop, Inc.*, (CA2) 234 F. 2d 538, 547, (1956):

> "—We necessarily have now at least a partial Federal Law of Unfair Competition; we so much need a complete and uniform law to supplement and round out the existing Federal Law of Trade Mark Infringement that we should be astute to avoid this confusing fragmentation of decision wherever we reasonably can."

In the same case, on page 546 Judge Clark said:

> "Indeed there is indication here and elsewhere that the Bar has not yet realized the potential impact of this Statutory Provision."

b. In refusing to apply Federal Law to a Count in unfair competition which arises out of the same set of circumstances as a related count of service mark infringement, the Court of Appeals has construed Section 44 of the Lanham Act contrary to the construction given to that Section by the Court of Appeals for the Ninth Circuit in the line of cases typified by *Stauffer* v. *Exley*, 184 F. 2d 962, (1950), and *Pagliero* v. *Wallace China Company*, 184 F. 2d 339, (1952); and by the Court of Customs and Patent Appeals in the case of *In re Lyndale Farms*, 186 F. 2d 723, (1951). The Court below here cited the case of *American Automobile Association, Inc., et al* v. *Spiegel*, (CA2) 205 F. 2d 771, (1953), as authority that the Court of Appeals for the Second Circuit has likewise construed said Section 44 as not having created a Federal law of unfair competition. A careful reading of that opinion and of the later decision in the case of *Maternally Yours, Inc.*, v. *Your Maternity Shop, Inc.*, (CA2) 234 F. 2d 538, (1956), footnote pp. 546-547, clearly indicates that that Court has in fact not yet squarely decided this issue and that uncertainty and confusion still reigns.

c. In stating that the Lanham Act did not confer Federal jurisdiction over questions of unfair competition, the Court of Appeals has construed Section 43(a) of that Act in direct conflict with several of the other Circuits. Thus, for example, in the case of *L'Aiglon Apparel, Inc.* v. *Lana Lobell, Inc.*, 214 F. 2d 649, (1954), the Court of Appeals for the Third Circuit held that said Section 43(a) is not merely declarative of existing law, but defines a new statutory civil wrong and gives a broad class of suitors in-

jured or likely to be injured by such wrong the right to relief in Federal Court. The Court below erred in citing this case to sustain its position. Again, in the *Maternally Yours* case, the Court of Appeals for the Second Circuit found it unnecessary to decide this issue, but Chief Judge Clark, in his concurring opinion, agreed with the holding of the *L'Aiglon* case and stated that this Section of the Lanham Act did in fact create a Federal Law of Unfair Competition. Additional authorities which support this point of view are: *The Parkway Baking Co., Inc.* v. *Freihofer Buking Co., et al,* (C.A.3) 117 USPQ 426, (1958), .... F. 2d ....; *Gold Seal Company* v. *Weeks, et al,* 129 F. Supp. 928 (D.C.D.C. 1955), affirmed in *S. C. Johnson & Son, Inc.* v. *Gold Seal Company, et al,* 230 F. 2d 832 (D.C. Cir. 1956), cert. den. 352 U.S. 829 (1956); *Insecto-O Lite Company, Inc.* v. *Hagemeyer, et al,* E.D. Ky. 151 F. S. 829, 834, (1957); Callman, False Advertising as a Competitive Tort, 1948, 48 Col. L. Rev. 876, 877-886; Bunn, The National Law of Unfair Competition, 1949, 62 Harv. L. Rev. 987, 998-1000; 39 Corn. L. Q. 351 and 6 Syracuse L. Rev. 200.

## II.

This case presents important questions of Federal law which have not been, but which should be, settled by this Court.

a. That there is confusion and conflict of opinion over the meaning of Section 44 of the Lanham Act is evidenced by the above cited decisions of the various circuits. The only known case in which this Court has discussed the problem is *Steele* v. *Bulova Watch Company, Inc.*, 344 U.S. 280, 283, (1952), in which the existence of the problem was

recognized, but its determination was left for a future date. The opportunity for this determination is here presented.

b. This Court has never construed Section 43(a) of the Lanham Act. The existing authorities hold contrary to the instant decision and state that said section did create a Federal Law of Unfair Competition. Only this Court can resolve the conflict between the several Circuits.

## III.

The Court below has so far departed from the accepted and usual course of judicial procedure as to call for an exercise of this Court's powers of supervision.

a. The Court of Appeals, in reversing without comment the Trial Court's Findings of Facts, has completely disregarded and emasculated vital Federal Rule of Civil Procedure 52(a). The Trial Judge, in his oral opinion (Appendix infra, p. 1a), specifically stated that his conclusions were based on the oral evidence and his judgment of the credibility of the witnesses, and since the Court of Appeals did not find that the Trial Court's Findings of Fact were clearly erroneous, it committed an error which should be rectified. As a matter of fact, the Court below apparently reversed its position as expressed in the case of *Solar Corporation* v. *Borg-Warner Corporation*, (CA7) 244 F. 2d 940, 941, (1957), and departed from the decision of this Court in *Graver Tank and Manufacturing Co.* v. *Linde Air Products Company*, 339 U.S. 605, 612, (1950).

b. The Court of Appeals in reversing the Trial Court's findings as to Count IV for breach of contract has disregarded and emasculated Rule 15(b) of the Federal Rules of Civil Procedure. When petitioners were given leave to amend their complaint to include this Count, the respondent

stood by and made no objection. Further, respondent made no objection when the evidence proving this breach of contract was introduced. Thus, this issue, not previously raised by the pleadings, was tried by consent of the parties in accord with Rule 15(b). Further, the Court of Appeals recognized the relationship of this Count to the other three when it stated on p. 7 of its opinion:

> "The evidence which was the basis of the later-filed Count IV was pertinent in some respects to the other Counts".

The effect of the Court of Appeals ruling in this regard is to reverse its position as expressed in *Hazeltine Research, Inc.* v. *Avco Mfg. Corp.*, (CA7) 227 F. 2d 137, (1955).

The Court of Appeals thus committed an error which should be rectified.

c. The respondent never specifically appealed from the District Court's findings and judgment that its mark (Pet. App. P. 145) infringed Petitioner's registered mark (Pet. App. P. 156) and unfairly competed. As a matter of fact, respondent never appealed from the injunction, never posted a bond, and even argued in reply to a contempt motion in the District Court that it was obeying the injunction. Nevertheless, the Court of Appeals apparently reversed the Trial Court's findings and judgment on the merits of the Counts for unfair competition and service mark infringement thus deciding issues which were never before it. Again, the Court below has committed an error which should be corrected.

## CONCLUSION.

This case presents important questions which should be settled by this Court. The confusion and conflict between the various Circuits regarding the meaning of Sections 43(a) and 44 of the Lanham Act must be resolved. Proper interpretation of these Sections of the Federal Statute is important directly to a large segment of our population and indirectly affects substantially our entire purchasing public. Further, the Court below has utterly disregarded several vital well-established Rules of Federal Civil Procedure, and this Court's supervisory powers are called for.

The Writ should issue.

Respectfully submitted,

By: ELI MULLIN,

Attorney for Petitioners.

I. IRVING SILVERMAN,
DAVID D. KAUFMAN,
Of Counsel.

# APPENDIX.

## ORAL OPINION OF THE DISTRICT COURT.

This case was started in the year 1955 and I heard a good deal about it shortly after it was instituted, for some weeks or months. It came on for trial on Monday, February 18th. The trial was started on the morning of that day and it continued through the 19th, the 20th, the 21st, the 25th, the 26th, the 27th. The last testimony, that of Mr. Irving Mansfield, was received on March 1st.

The Court asked counsel for the parties to prepare drafts of findings of fact, conclusions of law and of the judgment order they thought their respective clients were entitled to, and asked that there be submitted briefs of their respective contentions.

As I recall it, the findings of fact, conclusions of law and judgment orders were filed on last Wednesday, March 6th, simultaneously. Reply briefs were filed simultaneously on last Friday, March 8th. I took all of those papers home with me on Friday night and I read them carefully Saturday morning.

As a result of what I had heard during the trial
927 of the case and as the result of the reading of those papers to which I had referred, I came to certain conclusions. I have indicated that I would hear oral arguments this morning, brief oral arguments, and I have heard a brief statement by Mr. Cohen on behalf of the plaintiff.

I won't proceed at great length. I will simply indicate to you some conclusions. I think the equities are clearly with

the defendant. I thought the defendants' witnesses were trying to tell the truth. Generally speaking, I think they did tell the truth. I wasn't as well impressed by the witnesses for the plaintiff, particularly the father, Ben Fullman, and the son, Sidney Fullman, and Norville (Norvin) Fullman.

I thought the Fullmans manifested a desire to overreach.

The evidence indicates that Ben Fullman, the father, and Irving Mansfield had, for a number of years, been friends, and, after listening to the evidence I have the impression that Mr. Mansfield has been successful in his business and Mr. Fullman has not been so successful.

928 The evidence further discloses that Mr. Ben Fullman conceived the idea of establishing a new venture and undertaking and he sought to interest Mr. Mansfield in it.

He did interest him to the extent of Mr. Mansfield undertaking to put up $12,000.00, approximately—$12,500.00; I don't remember—for a half interest in the enterprise.

Then what was done for the next few months? The plaintiff would have us think that Mr. Mansfield and his company were acting merely as agents for the Fullmans and their company.

As I understand the situation and the evidence, that was not the fact. What Mr. Mansfield and his company did was done under the impression that he was engaging in a joint enterprise with this Mr. Ben Fullman and his company. That is the impression I get from the evidence.

The Fullmans would have us believe that everything that Mr. Mansfield and his company did during that period of months was done merely as an agent for and on behalf of Mr. Fullman. I do not think that was the fact at all.

The evidence further discloses that the Fullmans repudiated the agreement which they had made for the inauguration of the joint enterprise. Whereupon, Mr. Mansfield terminated the doing of the work which
929 he and his company had been doing for the new enterprise. The Fullmans, claiming to establish rights by reason of what transpired during these months, then filed a bill in this court. That is the way the matter got into this court.

I don't think any good purpose would be served by my detailing the evidence. As I have indicated at the outset, I think the equities are clearly with the defendant. I went over and read the findings of fact and conclusions of law and the judgment order which the defendants think they are entitled to. They seem to me to be about right. I will study them over further and you gentlemen will come in on Wednesday, March 13th at 10:00 o'clock and I will let you know what I think further.

# FINDINGS OF FACTS, CONCLUSIONS OF LAW, AND FINAL JUDGMENT ORDER.

[Entered March 14, 1957]

100 FINDINGS OF FACTS.

1. This is a suit for unfair competition brought by the Plaintiff, City Messenger of Hollywood, Inc., doing business under the tradename of City Messenger Air express against three corporate defendants and two individual defendants, as follows:

> City Bonded Messenger and Trucking Service, Inc., The Illinois Bell Telephone Company, The Reuben H. Donnelley Corporation, Irving Mansfield and Nadine Mansfield.

2. Defendants, City Bonded Messenger and Trucking Service, Inc., Irving Mansfield and Nadine Mansfield,
101 counterclaimed for unfair competition, service mark infringement, fraud and deceit and breach of contract.

3. Subsequent to the filing of the complaint but prior to the trial of the issues, namely on October 5, 1956, Defendant, City Bonded Messenger and Trucking Service, Inc., filed articles of amendment changing its name to City Bonded Messenger Service and an additional new corporation City Bonded Trucking Company, Inc., was incorporated, said new corporation and said Defendant, now by change of name City Bonded Messenger Service, were substituted for Defendant-Counter-Claimant, City Bonded Messenger and Trucking Service, Inc.

3. Defendants, Irving Mansfield and Nadine Mansfield, acted solely within the scope of their employment as em-

ployees and by motion were dismissed as Defendants from this case.

4. Defendants, Illinois Bell Telephone Company and the Reuben H. Donnelley Corporation have counter-claimed and cross-claimed for declaratory judgment, seeking an order from the Court concerning listings of the Plaintiff and the Defendants in both the Chicago Alphabetical telephone directory and the Chicago Classified telephone directory.

5. On April 29, 1955, the Court entered an order that both Plaintiff and Defendant be listed only under their respective corporate names and not under any assumed names, pending the further trial of the issues.

102 . 6. This Court has jurisdiction of the subject matter and parties involved.

7. Plaintiff, City Messenger of Hollywood, Inc., is a California Corporation doing business in the State of Illinois and having an office at 845 South Wabash Avenue, Chicago, Illinois. Defendants, City Bonded Messenger Service and City Bonded Trucking Company, Inc. are Illinois Corporations having their principal offices at 193 North LaSalle Street, Chicago, Illinois.

8. Defendants, City Bonded Messenger Service and City Bonded Trucking Company, Inc., and their predecessors in title, namely City Bonded Messenger and Trucking Service, Inc., a corporation, City Bonded Messenger and Trucking Service, a co-partnership comprising Irving Mansfield and Nadine Mansfield, and Irving Mansfield doing business as City Bonded Messenger Service, have continuously, openly and notoriously, since September 1942, engaged in the messenger and trucking business in the Chicago area, including Interstate Commerce within a 50 mile radius in the State of Indiana under their said tradenames.

9. The tradename and style of the aforementioned Defendants and their predecessors in title are presently and continuously have been, since September, 1942, dominated by the word "City" and the phrases "City Messenger" and "City Bonded Messenger".

103 10. The aforementioned Defendants and their predecessors in title presently are, and for a long time prior to the acts herein complained of, have been the owners and have continuously used in connection with the sale, advertising and rendering of messenger and trucking services in Interstate Commerce, a service mark comprising the word "City" written in script with a caricature messenger boy running through the letter C, the illustration of a speeding automobile positioned above the letter Y and having the word "Bonded" displayed below the word "City".

11. The aforementioned mark was duly registered on the Principal Register in the United States Patent Office on July 26, 1955, Registration No. 609,732 and said Defendants are the legal and equitable owners of said service mark and registration and have the right to sue for infringement thereof.

12. Plaintiff was incorporated in the State of California under the corporate name, City Messenger of Hollywood, Inc., on or about February 19, 1951.

13. Plaintiff failed to establish a chain of title showing any predecessor or use by any predecessor of a tradename or a service mark dominated by the word "City" or the phrases "City Bonded Messenger" or "City Messenger" in the sale, advertising or rendering of any messenger or trucking service prior to the date of its incorporation.

104 14. Modern Delivery Service, a California corporation doing business under the tradenames City Messenger and Express Co., City Transportation Co., and

City Messenger, filed a voluntary petition for bankruptcy in the United States District Court, Southern District of California, Central Division on July 15, 1948, was discharged January 9, 1952 with creditors receiving nothing on their claims; some of the principal officers of Plaintiff were principal officers in said Modern Delivery Service and had knowledge of said bankruptcy; and no purchase of any assets were made by Plaintiff or any of its officers from the Trustee in Bankruptcy of said Modern Delivery Service.

15. Plaintiff's corporate name, tradename and/or service marks are dominated by the word "City" and the phrase "City Messenger", and "City Bonded Messenger".

16. Plaintiff uses a service mark in connection with the sale, advertising and rendering of a messenger service, trucking service which is substantially identical to Defendant's service mark.

17. Prior to January, 1955 Plaintiff did not maintain an office or any facilities or engage in or render any messenger, trucking or related services in the Chicago area or within a 50 mile radius of the City of Chicago.

18. During the latter part of 1953 and during 1954, Plaintiff through its officers, falsely and fraudulently represented to Defendant-Counter-Claimants that they
105 were to join with it in the ownership and operation of an air freight forwarding business to be known as City Messenger Air Express, with Defendants taking charge of the operations of said business in Chicago, Illinois. Subsequently said Plaintiff, through its said officers continued to falsely and fraudulently represent that said air freight forwarding business had in fact been organized under said name, City Messenger Air Express, with Defendant-Counter-Claimants as part-owners thereof, and said Plaintiff, through its officers proceeded to act accord-

ingly as though said air freight forwarding business was in fact in existence and as though said Defendant-Counter-Claimants were in fact part-owners thereof, demanding that Defendants fulfill their duties and perform their alleged "part of the bargain".

19. In furtherance of said scheme, Plaintiff on May 18, 1954, falsely notified Defendant-Counter-Claimants that the Civil Aeronautics Board had approved, registered and issued to said new entity, City Messenger Air Express, authorization to engage in the air freight forwarding business, when in fact the authorization had been issued to Plaintiff.

20. Believing the aforementioned representations to be true and relying on the same, Defendant-Counter-Claimants fulfilled their duties and performed their alleged "part of the bargain" by expending large sums of money in "pay-outs" while conducting the air freight forwarding business, extending credit to Plaintiff, guaranteeing the credit of Plaintiff to various suppliers of services used in the air freight forwarding business, including United Air Lines, Inc., Railway Express and Air Express Agency, Inc., and Western Union Co., Inc., by purchasing, at request of Plaintiff, large numbers of printed forms necessary for use in the air freight forwarding business, purchasing and furnishing office supplies, telephone service, office space, terminal facilities, equipment and personnel, circulating and introducing Plaintiff to its customers for the purpose of obtaining business therefrom, furnishing the ground operation portion of the air freight forwarding services, and abstaining from furnishing said ground operation services on behalf of competitive air freight forwarders, including Emery Air Freight Forwarding Co., with consequent loss of revenue therefrom.

21. The aforementioned representations were false and were known by the Plaintiff to be false at the time they were made, and were made with the intent to surreptitiously gain an entry in the Chicago area market, including Defendants' own customers and with the intent of trading on the good will of the Defendants, and indeed trading on said good will by engaging in and rendering messenger, trucking and related services in the Chicago area and between Illinois and Indiana under the confusingly similar tradenames of City Messenger of Hollywood, Inc., City Messenger Air Express and City Bonded Messenger, and using in connection with the sale, advertising and rendering of said services, a service mark substantially identical to Defendants' service mark. The aforementioned representations were further made by Plaintiff with the intent to induce Defendant-Counter-Claimants to act thereon, and with intent to flagrantly deceive and defraud Defendant-Counter-Claimants.

107.

22. On or about September 7, 1954, Plaintiff entered into an oral contract with Defendant-Counter-Claimants for the sale of an undivided one-half interest of all the assets owned by and in the name of the Plaintiff, including the good will of the business and right to engage in the air freight forwarding business under Civil Aeronautics Board Letter of Registration No. 163, and subsequent thereto, Plaintiff breached said contract and failed and refused to perform the terms of said contract. Defendant-Counter-Claimants have done and performed all things by them to be performed under the terms of said contract.

23. Plaintiff has failed to prove that Defendants at any time diverted any shipments belonging to them to the own use of said Defendants or ever appropriated the proceeds of such shipments to their own use without accounting to the Plaintiff.

108 24. Plaintiff has failed to prove that Defendants ever engaged in unlawful, unfair or deceptive methods of competition against them, including specifically:

a. applying for and obtaining, without the knowledge and consent of the Plaintiff, of any telephone listing of any tradename belonging to Plaintiff, or fraudulently holding themselves out to be air shippers, or being in violation of any of the economic regulations of the Civil Aeronautics Board.

b. engaging in any false, fraudulent or deceptive advertising, including any advertising of City Messenger Air Express, without the consent or approval of the Plaintiff.

c. making any false representation to anybody concerning the credit or financial responsibility of the Plaintiff.

Plaintiff has failed to prove any allegation of unfair competition alleged in its complaint.

25. Since January, 1955, Plaintiff has engaged in and rendered messenger services including, but not limited to, the ground operation of air freight forwarding services in direct competition with Defendant-Counter-Claimant in the Chicago area and in Interstate Commerce within a radius of 50 miles of the City of Chicago.

109 26. Ground operations of air freight forwarding, namely pickup and delivery to and from the airport, comprises legitimate messenger and trucking services.

27. Prior to the entry of Plaintiff in the Chicago area market, by virtue of the prolonged use, extensive sale and advertising of their services, Defendant-Counter-Claimants' aforementioned service mark had acquired secondary significance in connection with the messenger service in the local area.

28. The tradenames City Messenger of Hollywood, Inc.,

City Messenger Air Express, City Bonded Messenger and/or any tradename dominated by the word "City" and/or the phrases "City Messenger" or "City Bonded Messenger", when used in connection with the sale, advertising or rendering of messenger, trucking, air freight forwarding or similar services, are confusingly similar to Defendant-Counter-Claimants' tradenames and the uses thereof by Plaintiff comprises unfair competition with Defendants.

29. Defendants' aforementioned service mark registration No. 609,732 is valid,

30. Plaintiff's use of said service mark in the sale, advertising or rendering of messenger, trucking and air freight forwarding services infringes Defendants' registered service mark.

31. Plaintiff adopted and used the aforementioned tradenames and service mark flagrantly and with full knowledge of Defendant-Counter-Claimants' prior use 110 thereof and with intent to unfairly compete and trade on Defendant-Counter-Claimants' good will, valuable credit and financial standing and reputation for integrity and fair dealing.

32. Defendant-Counter-Claimants' credit, financial standing and reputation have been injured by Plaintiff's unfair competitive practices.

33. Plaintiff has unfairly diverted revenues for messenger services rightfully belonging to Defendant-Counter-Claimants, including, but not limited to, revenues from a large number of the transactions involving the Admiral Corporation, 3800 West Cortland Street, Chicago, Illinois, as represented in Defendants' exhibit 53, and from transactions with Kuttner & Kuttner, Inc., 646 North Michigan Avenue, Chicago, Illinois.

34. Were it not for the fraud and deceit of Plaintiff and the contract with the Plaintiff, Defendant-Counter-Claim-

ants would have received revenues in the amount of approximately $500.00 per week for the rendering of ground operation messenger service to Emery Air Freight alone and during the period from May 22, 1954 through February, 1955.

35. The "pay-outs" and messenger services rendered by Defendant-Counter-Claimants on behalf of Plaintiffs during the rendering of air freight forwarding services during the period from May 22, 1954 to January 10, 1955 amounted to $1,526.83.

111 36. Plaintiff is guilty of flagrant, unfair competition and the instituting of this action was vexatious and solely for the purpose of harassing Defendant-Counter-Claimants.

## CONCLUSIONS OF LAW

1. This Court has jurisdiction of the subject matter and the parties involved.

2. The service mark in suit is valid and infringed by Plaintiff.

3. Defendants' service mark has acquired secondary significance in the local area as it pertains to messenger service.

4. The granting of a certificate of authority to Plaintiff to engage in the air freight forwarding business under the names City Messenger of Hollywood, Inc., doing business as City Messenger Air Express did not empower Plaintiff to use said names in derogation of the long established prior right of Defendants.

5. The service marks and tradenames of the bankrupt Modern Delivery Service were vested in the trustee in bankruptcy upon the filing of the petition in bankruptcy, and the mere filing of the petition in bankruptcy did not

operate as an abandonment of the service mark or the trade names. No sale of said service mark or tradenames having been consummated, the same did not become available for use and appropriation by Plaintiff until after the discharge in bankruptcy on January 9, 1952.

112 6. The use by Plaintiff of the tradenames City Messenger of Hollywood, City Bonded Messenger and City Messenger Air Express or any tradename dominated by the word "City", the phrases "City Bonded" or "City Messenger", when used in the same area and in connection with the rendering of substantially similar services comprises unfair competition.

7. Plaintiff, who attempted by fraud and deceit to associate itself with Defendant and thereby surreptitiously enter the local market for the purpose of competing with Defendant under tradenames and using a service mark confusingly similar to Defendants' gained no right to use said tradenames and service marks in said area after said association was terminated.

8. Defendants have not engaged in unfair competition with Plaintiff, or diverted or appropriated anything belonging to Plaintiff.

9. Plaintiff has unfairly competed with Defendant-Counter-Claimants.

10. Plaintiff is guilty of fraud and deceit against Defendant-Counter-Claimants.

11. Plaintiff entered into a contract with Defendant-Counter-Claimants and subsequently breached said contract.

12. Plaintiff is guilty of bringing vexatious litigation against Defendants for the purpose of harassing them.

113 JUDGMENT ORDER

After a full and fair consideration of the evidence submitted in this case, It Is Hereby Ordered, Adjudged And Decreed That:

1. Defendants are entitled to an injunction restraining Plaintiff, its officers, agents, servants, employees and attorneys and all acting under and through them and each of them from directly or indirectly:
   a. Using the name City Messenger of Hollywood, Inc., City Messenger Air Express or City Bonded Messenger or any other name containing the word "City" or the phrases "City Bonded Messenger" or "City Messenger" or a service mark identical with or confusingly similar to Defendants' service mark, U. S. Registration No. 609732 Dated July 26, 1955, in connection with the sale, advertising, promotion or rendering of messenger, trucking, air freight forwarding service or any other service similar thereto in the City of Chicago, or within a 50-mile radius therefrom.
   b. Doing anything having the effect of representing that Plaintiff's services emanate from Defendants.
2. Defendant-Counter-Claimants are entitled to an accounting of profits and damages and this case shall be and it is hereby referred to Warren E. Carbary, Esq., a Master in Chancery of this court, for determination of:
   a. Defendant-Counter-Claimants' damages.
   b. Plaintiff's profits.

114 3. Defendant-Counter-Claimants are entitled to punitive damages and an award of treble profits and damages.

4. Defendant-Counter-Claimants are entitled to an award of damages for breach of contract and fraud and deceit in the amount to be determined by the Master heretofore appointed.
5. Defendant-Counter-Claimants are entitled to recover the sum of $1526.33 in repayment for services rendered and advances made on behalf of Plaintiff by Defendants.
6. Defendant-Counter-Claimants are entitled to an award of costs and disbursements against Plaintiff.
7. Defendant-Counter-Claimants are entitled to recover their attorneys fees from Plaintiff.

IT IS SO ORDERED

United States District Judge
/s/ John P. Barnes

Chicago, Illinois
Date: March 14, 1957

## OPINION OF THE CIRCUIT COURT OF APPEALS.

IN THE

UNITED STATES COURT OF APPEALS

For The Seventh Circuit

No. 12046 SEPTEMBER TERM AND SESSION, 1957

City Messenger of Hollywood, Inc., A California corporation, doing business under the tradename of City Messenger Air Express,

*Plaintiff-Appellant,*

vs.

City Bonded Messenger Service, Inc., by change of name from City Bonded Messenger and Trucking Service, Inc., an Illinois corporation, City Bonded Trucking Company, Inc., an Illinois corporation, The Illinois Bell Telephone Company, an Illinois corporation, and the Reuben H. Donnelley Corporation, an Illinois corporation,

*Defendants-Appellees.*

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

January 9, 1958

Before DUFFY, *Chief Judge*, and FINNEGAN and HASTINGS, *Circuit Judges*.

DUFFY, *Chief Judge*. Asserting jurisdiction by reason of diversity of citizenship, plaintiff filed a complaint in the District Court for the Northern District of Illinois, alleging unfair competition. After answer, certain defendants filed a counterclaim which eventually contained four counts. Each count was filed on a different date.

Count I of the counterclaim filed June 28, 1955, alleged unfair competition. Count II alleged fraud and deceit, and was filed June 28, 1955, but was later withdrawn. Amended Count II also alleged fraud and deceit, and was

filed September 27, 1955. Count III was filed August 12, 1955 and alleged an infringement of trade-mark, the registration of which had been issued a few days previous thereto, to wit: on July 26, 1955. The defendant-counterclaimants rested their case on February 7, 1957, and Count IV alleging a breach of contract was filed the following day.

The District Court denied any relief to plaintiff and entered judgment in favor of the defendants on all four counts of the counterclaim. The judgment provided for an injunction restraining plaintiff and its officers and agents from using certain words in its name and advertising. The judgment also provided for an accounting of profits and damages, and a reference was made to a special master for determination of a) defendant-counterclaimants' damages; b) plaintiff's profits. The judgment also provided that defendant-counterclaimants were entitled to punitive damages and an award of treble profits and damages. The judgment further provided that defendant-counterclaimants were entitled to an award of damages for breach of contract and fraud and deceit, and were also entitled to recover $1,526.83 in repayment for services rendered and advances made by defendant corporation. There was also a provision that defendant-counterclaimants recover their attorney fees from plaintiff as well as their costs and disbursements.

In view of the award of punitive damages, treble damages and the assessment of attorney fees, it is necessary to analyze each count of the counterclaim to determine the applicable law. For reasons hereinafter stated, we hold that Counts I, II and IV are governed by the applicable law of Illinois; but that a part of Count III does state a federal claim.

Defendant-counterclaimants insist that Count I of the counterclaim asking damages for unfair competition is a federal cause of action governed by the Federal Trademark Act (Lanham Act) 15 U.S.C.A. §§ 1051-1127). Apparently at the time that Count was prepared and filed, the attorneys for defendant-counterclaimants were not of this view. An examination of the Count shows

that it was based expressly upon diversity of citizenship. The first three paragraphs of Count I assert the diversity of citizenship of the parties to this action and that the matter in controversy exceeded, exclusive of interest and costs, the sum of Three Thousand Dollars. Furthermore, Count I was filed before claimants had a registered service mark. Count I expressly alleged an infringement of defendant-counterclaimants' "common law rights by using * * * a service mark dominated by the word City * * *." We hold that Count I does not assert a federal cause of action.

This Court is committed to the view that the claim set forth in Count I of the counterclaim for damages caused by unfair competition is governed by the law of Illinois. *Independent Nail & Packing Co., Inc.* v. *Stronghold Screw Products, Inc.*, 7 Cir., 205 F. 2d 921, 926; *Jewel Tea Company, Inc.* v. *Krause*, 7 Cir., 187 F. 2d 278, 282; *Radio Shack Corporation* v. *Radio Shack, Inc.*, 7 Cir., 180 F. 2d 200, 202; *Wilhartz* v. *Turco Products*, 7 Cir., 164 F. 2d 731, 733. *Time, Inc.* v. *Viobin Corporation*, 7 Cir., 128 F. 2d 860, 862. We do not think that the Lanham Act changed this rule. We have been cited to no court authorities[1] that have held the Lanham Act has changed the rule long established and followed in this Circuit. On the contrary, the contention that the Lanham Act creates an independent ground for federal jurisdiction, and that a claim for damages for unfair competition in the United States between American citizens is governed by the Lanham Act, as argued by defendant-counterclaimants, has been expressly overruled in *American Automobile Association, Inc., et al* v. *Spiegel*, 2 Cir., 205 F. 2d 771, 775; *L'Aiglon Apparel, Inc.* v. *Lana Lobell, Inc.*, 3 Cir., 214 F. 2d 649, 654; *Royal Lace Paper Works, Inc., et al* v. *Pest-Guard Products, Inc.*, 5 Cir., 240 F. 2d 814, 818. We agree with these decisions.

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[1]Defendant-counterclaimants did cite *Steele* v. *Bulova Watch Company, Inc.*, 344 U.S. 280. The claims there asserted were for acts of trade-mark infringement and unfair competition consummated in Mexico. The case is not applicable to the situation we are here considering.

Counts II and IV of the counterclaim seeking recovery for fraud and deceit and breach of contract, respectively, are common law causes of action. These claims are governed by the law of Illinois.

There is no basis under Illinois law for the assessment of treble damages or the payment of attorney fees based on claims contained in Counts I, II and IV of the counterclaim. In *Patterson* v. *Northern Trust Company*, 286 Ill. 564, 122 N.E. 55, 57, the court said: "At common law costs were never recoverable, and they can be recovered only in cases where there is statutory authority therefor. Any party claiming a judgment for his costs against his adversary must bring himself within the operation of some statutory provision, and courts have no power to adjudge costs against anyone on merely equitable grounds."

In the later case of *Ritter* v. *Ritter*, 381 Ill. 549, 46 N.E. 2d 41, 43, the Court said: "The allowance and recovery of costs rests entirely upon statutory provisions and no liability for costs exists in the absence of statutory authorization." In *Trust Company of Chicago* v. *National Surety Corporation*, 7 Cir., 177 F. 2d 816, after quoting from *Patterson* and *Ritter*, we held that under Illinois law attorney fees could not be assessed against the losing party. See also *Danville Building Association, etc.* v. *Gates, et al.*, 66 F. Supp. 706. The opinion in that case was written by Judge Lindley, and he stated at page 709: "I think it clear that the inevitable effect of this decision is that a federal court may no longer grant an equitable remedy in a diversity action where that relief is not available in the courts of the state, * * *".

Disregarding for the moment Count III, we hold that there was no authority in the District Court to assess treble damages or to award attorney fees as to the claims contained in Counts I, II and IV, and in doing so, the Court committed reversible error.

Count III of the counterclaim was filed August 12, 1955, eleven weeks after the commencement of the instant suit, and seventeen days after the date of the registration of defendants' mark. Paragraph 1 thereof re-alleged paragraphs 1, 2 and 3 of Count I of the counterclaim. By

such reference diversity of citizenship of the parties was set forth and also the amount in controversy. Paragraph 2 of Count III then alleges an additional jurisdictional ground as follows:

> "2. As an additional ground for jurisdiction of this Court, Defendant alleges that it is based upon infringement of its service mark used in commerce among the several states of the United States *and* upon infringement of said service mark duly registered in the United States Patent Office in accordance with the Trade Mark Act of July 5, 1946."

This paragraph can properly be construed as asserting jurisdiction under a federal law. 28 U.S.C. §1338(b) provides: "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent and trademark laws."

Count I alleges unfair competition by plaintiff with reference to defendant's unregistered mark, and the principal emphasis of Count III is as to the registered trade-mark. With such overlapping of claims we hold that the allowance for damages, if any, under Count I should extend no further than July 26, 1955, the date of the registration of defendants' mark. A cut-off at this point is necessary to prevent a duplication of compensatory damages, if any are awarded. On the other hand, damages, if any, for the infringement of defendants' registered trade-mark, and the related claim for unfair competition, cannot extend further back than July 26, 1955.

In *Strey* v. *Devines, Inc.*, 7 Cir., 217 F. 2d 187, 189, we said: "Thus, the District Court's jurisdiction of plaintiff's claim of unfair competition existed to the limited extent that it is 'related' to his claim of trademark infringement. Federal jurisdiction was only obtained in this case by reason of the registration of plaintiff's trade-mark. The principle involved is well stated in *Landstrom* v. *Thorpe*, 8 Cir., 189 F. 2d 46, 51 '* * * For such a claim to be 'related' to a case arising under the trade-mark law within the meaning of the statute, 'it must appear that both federal and nonfederal causes (of action) rest upon

substantially identical facts.'" In the same case, we also said at page 189: "It follows that the District Court did have jurisdiction as to any acts of the defendant which may have constituted unfair competition providing that same occurred on or after September 9, 1952, the date of the registration of plaintiff's trade-mark."

Upon a retrial of this case, consideration should be given to 15 U.S.C.A. §1117, which provides:

> "When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1113 (1) (b)[1] of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

Also pertinent on the question of damages is 15 U.S.C.A. §1111, which provides that unless a registrant gives notice that his mark is registered, no proceeds or damages shall be recovered unless the alleged infringer had actual notice of the registration.

If, on a retrial of this cause, a finding of unfair com-

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[1] So in original. Probably should read "1114(1)(b)."

petition is made, it does not necessarily follow that the prevailing party is entitled to a monetary award or an accounting of profits. An injunction may satisfy the equities of the case. *Radio Shack Corporation* v. *Radio Shack, Inc.*, 7 Cir., 180 F. 2d 200, 207; *Consumers Petroleum Co.* v. *Consumers Co. of Illinois*, 7 Cir., 169 F. 2d 153, 163.

Count IV of the counterclaim was filed the day after defendant-counterclaimants had concluded their testimony. Leave to file this count was granted by the District Judge on the theory the amendment was to conform to the evidence. Rule 15(b) Federal Rules of Civil Procedure. Apparently, no opportunity was afforded to the plaintiff to answer Count IV nor is it clear that any request to file or present an answer was made. Also, there was no request for a continuance upon the part of plaintiff.

In substance, Count IV alleged that on or about September 7, 1954, at Los Angeles, defendant City Bonded Messenger Service, Inc. and City Bonded Trucking Company, Inc. "* * * offered to purchase for $12,500.00 an undivided one-half interest in all of the assets owned by and in the name of the Plaintiff * * * including the good will of the business attaching thereto and the right to engage in the business of an air freight forwarder under Civil Aeronautics Board letter of registration No. 163."[2] The Count alleged acceptance by the plaintiff of the offer to purchase but that there was a failure to deliver to defendants a one-half interest in all of plaintiff's assets "including the good will * * * and the right to engage in the business as an air freight forwarder under Civil Aeronautics Board Letter of registration No. 163." Defendant-counterclaimants alleged damages of $16,526.83.

Although amendments to conform to the evidence may properly be allowed under many situations, we think the issues in Count IV should be determined only after plead-

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[2] The letter of registration from the Civil Aeronautics Board to plaintiff was dated May 21, 1954, effective May 22, 1954, and by its terms was not transferable.

ings defining the issues have been filed and the parties have had adequate opportunity to offer evidence pertaining thereto.

One other matter pertaining to Count IV may properly be decided at this time. Plaintiff contends that the procedure whereby the trial court allowed a new cause of action after defendant-counterclaimants had rested their case, deprived plaintiff of his right to a trial by jury as guaranteed by the Seventh Amendment to the Constitution of the United States. We do not agree. Plaintiff could have asked a jury trial on Counts II and III but did not do so. The evidence which was the basis of the later-filed Count IV was pertinent in some respects to the other Counts. When defendant-counterclaimants asked leave to file Count IV, plaintiff made no objections that it was being deprived of a jury trial. Under all the circumstances, we think that the right to have a jury trial on the issues raised by Count IV of the counterclaim was waived by the plaintiff.

Over objections by plaintiff, the trial court received testimony concerning a claim of $1,526.83, "for services rendered and advances made on behalf of Plaintiff by Defendants." This claim was not set forth in the pleadings. Nevertheless, the District Court made Finding of Fact 35 favorable to the defendants on this point and the judgment provided that $1,526.83 should be recovered by defendant-counterclaimants. This particular controversy was the subject of a separate suit between the parties herein which was commenced in the Municipal Court of Chicago by the defendants herein, and was identified as Case No. 55 M 2286. On the first day of the trial in Municipal Court the parties negotiated a settlement and the action was dismissed by consent with the proviso it was subject to reinstatement in the event the terms of the settlement were not fulfilled. Although it is here suggested the settlement terms were not carried out, we see no justification for further complicating the issues herein by interjecting into this suit issues which were the subject of a separate lawsuit. If defendant-counterclaimants were entitled to relief as to those issues, it should have proceeded in the Municipal Court. Finding of

Fact 35 has no proper basis in this record, and paragraph 5 of the judgment order is reversed with directions that same be vacated.

The trial court found that the institution of this suit was vexatious and for the purpose of harassment. For some reason, plaintiff did not appeal from the judgment dismissing its claim. We, therefore, do not comment upon the merits of plaintiff's suit except insofar as the claimed vexatious conduct may be the basis on which the trial court awarded punitive and treble damages and assessed attorneys' fees. We have hereinbefore decided there was no authority in the trial court to award such damages and to assess attorney fees as to Counts I, II and IV. We now decide that no such damages should have been awarded as to any Count of the counterclaim, even if it might be held that Illinois law permitted such procedure as to Counts I, II and IV.

It would over-extend this already lengthy opinion to set out in detail why we think plaintiff was entitled to its day in court without risking punitive damages and assessment of attorney fees. After a reading of the extensive record before us, we are unable to ascertain any basis for the finding that the suit was vexatious and brought for the purpose of harassment.

Under all the circumstances of this case, we think the interest of justice will best be served by reversing the judgment as to all four Counts of the counterclaim, and remanding the cause for a new trial. We are also of the view that there should be no occasion to refer any of the issues to a master.

REVERSED and REMANDED.

FINNEGAN, *C.J.* Concurs in the result.

A true Copy:
Teste:

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*Clerk of the United States Court of Appeals for the Seventh Circuit.*

## OPINION OF THE CIRCUIT COURT OF APPEALS ON PETITION FOR REHEARING.

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IN THE

UNITED STATES COURT OF APPEALS

For The Seventh Circuit

No. 12046 SEPTEMBER TERM, APRIL SESSION, 1958

City Messenger of Hollywood, Inc., A California corporation, doing business under the tradename of City Messenger Air Express,

*Plaintiff-Appellant,*

VS.

City Bonded Messenger Service, Inc., by change of name from City Bonded Messenger and Trucking Service, Inc., an Illinois corporation, City Bonded Trucking Company, Inc., an Illinois corporation, The Illinois Bell Telephone Company, an Illinois corporation, and the Reuben H. Donnelley Corporation, an Illinois corporation,

*Defendants-Appellees.*

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

May 22, 1958

Before DUFFY, *Chief Judge*, and FINNEGAN and HASTINGS, *Circuit Judges*.

DUFFY, *Chief Judge*. Defendants urge six principal grounds for a rehearing. We have carefully examined these contentions, but find none sufficient to grant the petition for rehearing. We shall discuss only three.

We held the issues as to Count IV which count was filed after the conclusion of the testimony, should be determined only after pleadings defining the issues have been filed, and the parties have had adequate opportunity to offer evidence pertaining thereto. Defendant-counterclaimants

insist the issues as to Count IV were tried by the implied consent of the parties. To have any kind of consent, there must be knowledge. It is apparent that the claim for breach of contract contained in Count IV occurred to counsel for counterclaimants after he had rested his case. Under the circumstances, neither plaintiff nor counterclaimants tried the issue by implied consent.

Counterclaimants insist that in our opinion we refer to several questions which were not properly before us stating: "No appeal was taken from the district court's findings and judgment that plaintiff infringed defendants' registered mark and unfairly competed with defendant-counterclaimants." The short answer is that plaintiff appealed from the entire judgment.

In our original opinion we stated that there was no authority in the district court to assess treble damages or award attorney's fees as to Claims I, II and IV. This is correct but we further said: "and in doing so, the Court committed reversible error" The original opinion should be modified so as to read "and in doing so, as to Count I the Court committed reversible error."

The petition for rehearing is

DENIED.

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FINNEGAN, *Circuit Judge.* I would allow a rehearing and for that reason disavow all that is said by Chief Judge Duffy "On Petition for Rehearing."

A true Copy:

Teste:

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*Clerk of the United States Court of Appeals for the Seventh Circuit.*

## STATUTES AND RULES INVOLVED.

Section 44(b) of The Lanham Act 15 USC 1126(b)

> Persons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; or (2) the General Inter-American Convention for Trade-Mark and Commercial Protection signed at Washington on February 20, 1929; or (3) any other convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition to which the United States is a party, shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to any such conventions and treaties so long as the United States shall continue to be a party thereto, except as provided in the following paragraphs of this section (15 USC 1126b).

Section 44(h) of The Lanham Act 15 USC 1126(h)

> Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition (15 USC 1126h).

Section 44(i) of The Lanham Act 15 USC 1126(i)

> Citizens or residents of the United States shall have the same benefits as are granted by this secton to persons described in paragraph (b) hereof (15 USC 1126i).

Section 43(a) of The Lanham Act 15 USC 1125(a)

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation (15 USC 1125a).

Rule 52(a) of the Federal Rules of Civil Procedure

> In all actions tried upon the facts without a jury or with an advisory jury; the court shall find the facts specially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Request for findings are not necessary for the purposes of review. Findings of fact shall not be set aside unless clearly erroneous; and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The Findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).

Rule 15(b) of the Federal Rules of Civil Procedure

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues. If evidence is objected to at the trial on the ground that it is not within the issues made by the pleadings, the court may allow the pleadings to be amended and shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy the court that the admission of such evidence would prejudice him in maintaining his action or defense upon the merits. The court may grant a continuance to enable the objecting party to meet such evidence.